COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

101ST GENERAL ASSEMBLY

BILL NO: **SB 1668** March 7, 2019

SPONSOR (S): Weaver

SYSTEM(S): Downstate Police and Fire

FISCAL IMPACT: SB 1668 proposes to change the amortization schedule for Downstate Police and Fire funds. An independent actuarial analysis would be necessary to determine the fiscal impact due to changing from a closed amortization period under current law to a rolling amortization period as proposed by this bill.

SUBJECT MATTER: SB 1668 would change the amortization period for Downstate Police and Fire funds by implementing two stages of rolling amortization periods, increasing the funding goal to 100% of total actuarial liabilities, and changing the annual employer contribution calculations from level percentage of payroll to level-dollar amounts using the entry age normal actuarial cost method.

COMMENT: Current statute provides that the annual required employer contributions are calculated as the amount sufficient to bring the total assets of the fund up to 90% of the total actuarial liabilities of the fund by the end of the fiscal year 2040, as annually updated and calculated by using the level percentage of payroll over the years remaining up to and including fiscal year 2040.

SB 1668 would extend the amortization period starting in 2021. Between 2021 and 2030, the actuarially required annual contribution would be equal to an amount sufficient to bring the total assets of the fund up to 100% of total actuarial liabilities over a 30-year rolling amortization period as annually updated and determined by an actuary. For each year after 2021 until 2030, the rolling amortization period would be reduced by one year.

Beginning 2031, SB 1668 would provide that the annual required employer contribution is calculated so as to equal an amount sufficient to bring the total assets of the pension fund up to 100% of the total actuarial liabilities of the pension fund over a 20-year rolling amortization period, as annually updated and determined by an actuary.

Under the new amortization periods proposed by SB 1668, the contribution for the amortization of unfunded liabilities shall be calculated each year as a level dollar amount over the amortization period, and the pension fund's normal cost shall be determined under the entry age normal cost method.

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